

The 3rd Annual Federal Resource Export Conference

Growing Locally, Expanding Globally

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Rabobank

May 14, 2018 | Fresno



The 3rd Annual Federal Resource Export Conference

Richard Swanson
Regional Director Pacific South Network



U.S. Commercial Service—
Connecting you to global markets.

<http://2016.export.gov/california/fresno/index.asp>

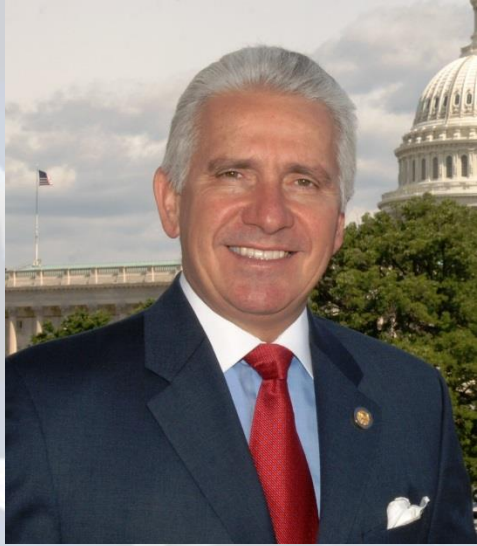
www.export.gov

<https://www.youtube.com/user/TradeGov>

<https://twitter.com/ExportGov>

<https://www.facebook.com/ExportGov>

<https://www.linkedin.com/groups/4231713/profile>



Congressman Jim Costa (CA-16)

www.costa.house.gov

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**U.S.
COMMERCIAL
SERVICE**

United States of America
Department of Commerce

INCREASING JOBS AT HOME BY EXPANDING U.S. EXPORTS

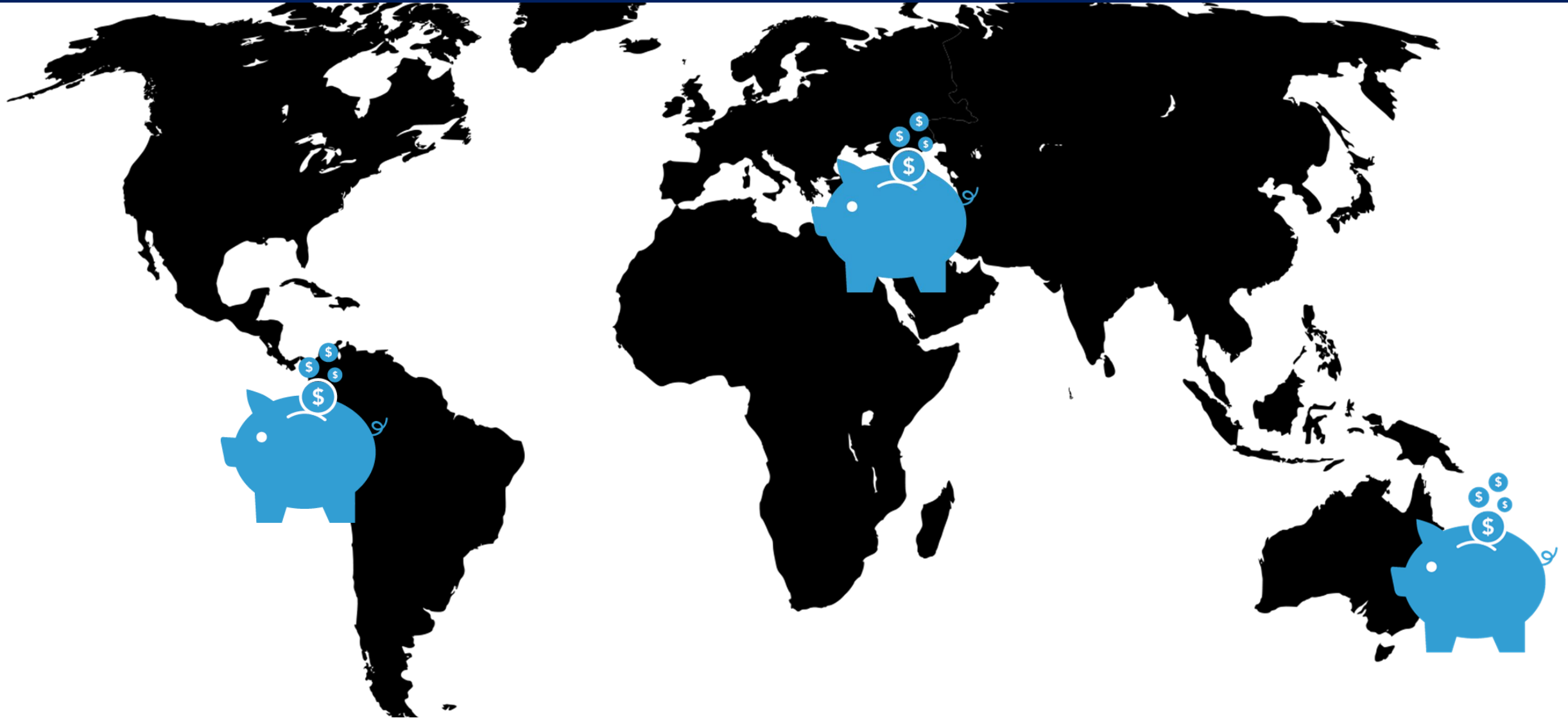
May 14th, 2018 3rd Annual Federal Export Resource Conference

1) WHY EXPORTS MATTER

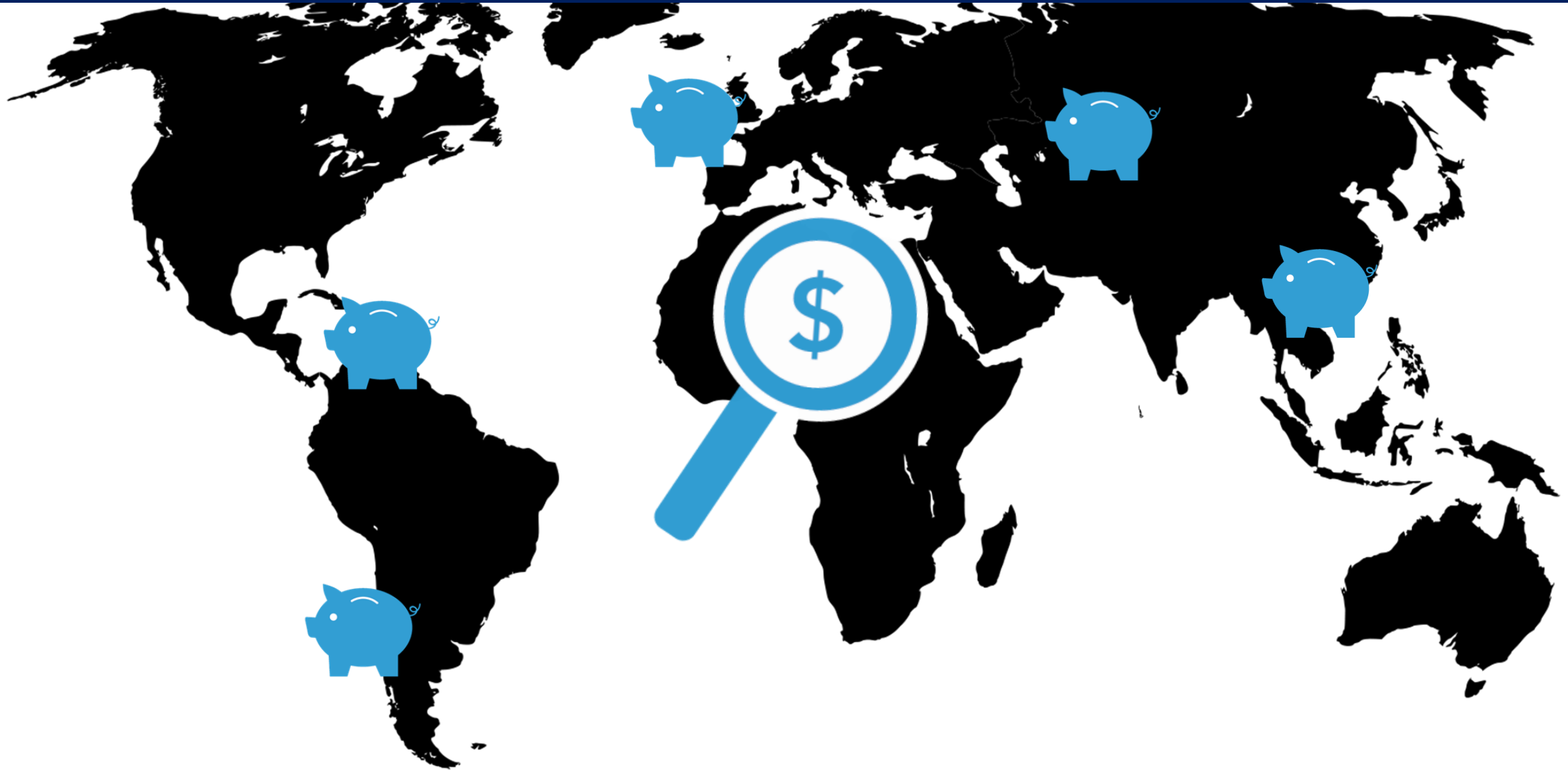
2) SERVICES OFFERED

WHY EXPORTS MATTER

More than **70%** of the world's purchasing power is **outside** of the U.S.



And **competitors** are **increasing** their global market share...

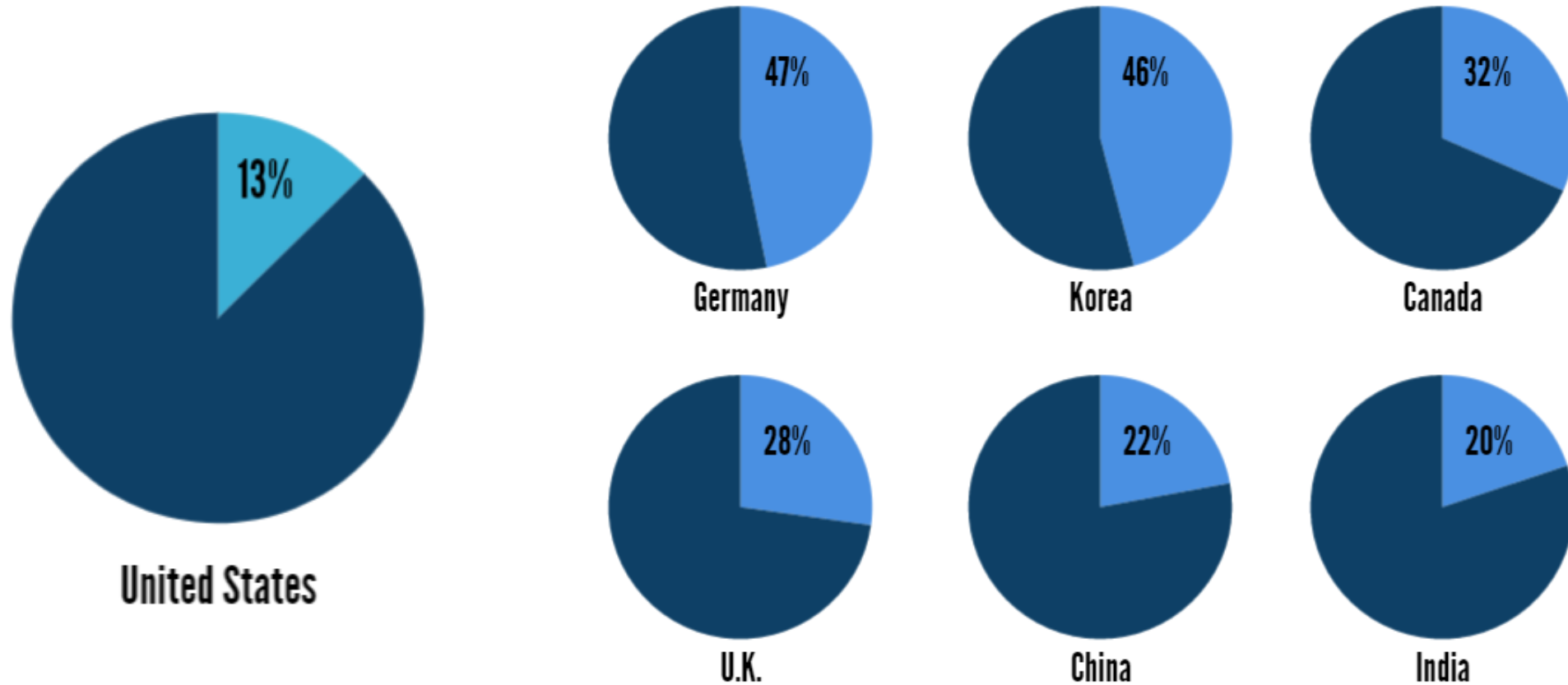


While the the United States is
underperforming.

With **only 13%** of our GDP generated by exports,

Exports of goods & services (% of GDP)

Source: Worldbank, 2015



It's safe to say we have a lot
of **ROOM** for growth.



11.5M JOBS



Source: U.S. Department of Commerce's International Trade Administration, Bureau of the Census, and the Bureau of Economic Analysis

SUPPORTED BY EXPORTS

\$622,575



Source: U.S. Department of Commerce's International Trade Administration

AVERAGE 12-MONTH REVENUE INCREASE

Results for U.S. small businesses

Our efforts supported over **250,000** U.S. jobs in 2016.

After just 12 months, our clients see...

\$622,000 in new revenue

7% increase in new employment

3 jobs safeguarded

Results for local communities

For every \$1 allocated to every U.S. Commercial Service, about \$168 returns to the U.S. Economy

Results for local communities

For every \$1 allocated to every U.S. Commercial Service, about \$200 returns to the U.S. Economy



~\$13 Billion

Total Central California goods **exports** in 2015.



> \$10 Billion

Total Central California goods **exports** in 2016.



**COMPANIES WHO
EXPORT GROW
FASTER.**

**8.5% ARE LESS
LIKELY TO GO OUT
OF BUSINESS.**

Source: U.S. Department of Commerce's International Trade Administration

U.S. COMMERCIAL SERVICE OVERVIEW

A close-up photograph of two people shaking hands over a wooden desk. The person on the left is wearing a blue and white checkered shirt, and the person on the right is wearing a white shirt. A laptop is open on the desk, and a red clock is visible in the background. The scene is warmly lit, suggesting an indoor office environment.

Our Mission

Grow U.S. exports to increase U.S. jobs.



We help our U.S. companies **compete** abroad.



We have global **relationships** and **expertise** in **every** major industry **sector** and in most major markets via our **U.S. Embassies and Consulates.**



Leverage the strength of the U.S. government

Market access problems

Unfair contract competition

Meetings with the right partners

Getting paid



A close-up photograph of a blonde woman with a friendly smile, wearing a dark blazer over a light blue shirt. She is looking towards a man whose profile is partially visible on the right side of the frame. In the background, other people are blurred, suggesting a professional office or conference setting.

80% of our
time is
spent
counseling
local clients

Your **local** trade specialist can **counsel** you and
connect you to resources across the **globe**.

Supporting your
export growth every
step of the way.



A background image showing a group of people in a business meeting. One person is holding a smartphone, and another is pointing at a laptop screen. There are papers and a pen on the table.

Service highlight: In-country **business matchmaking** to connect you with the right **partners**.

Customized market and industry briefings

Post-meeting and follow-up strategies

Help with travel & interpreter service

Appointments with prospective partners



International Expansion Blueprint

Prepared for:

BOYD
CYCLING

U.S. Commercial Services
Atlanta, GA
December 18, 2016

INTERNATIONAL EXPANSION BLUEPRINT SCORECARD		
Export Operations Review		
ACME		
	DATE	Related Issue and/or Risk
Marketing & Sales		
Marketing Materials	3	
Website Globalization	1	3
Identifying Markets	2	1,11
Free Trade Agreements (FTA)	2	14
Finding Partners	1	1,4
Government Programs (Gold Key etc.)	1	1,2
F.U.S.E Listing(s)	3	1
Joint Venture/Licensing	3	
Responding to International Inquiries	2	5,15
Trade Shows	1	5
ATA Carnet		
U.S. Export Controls	1	6
AES	1	6
BIS	1	7
ITAR	1	8
Compliance Management Program	2	14
FTA Compliance		
Financial Considerations		
SBA/EXIM Programs	1	17
Receivables Insurance	1	17
Extended Cost/Export Pricing	1	9
Terms of Sale	1	TBD
Foreign Currency Management	1	10
Free Trade Zones (FTZ)	1	TBD
Recovery	2	TBD
Considerations	1	
Professionals (law firm)	1	
Specific Legal Requirements	1	
Tutor Agreements, Licensing etc.	1	
Requirements		
Logistics	2	19
Carriers	2	19

Service highlight: **Customized** report assessing every aspect of your company's **export program**.

YOUR LOCAL OFFICE



**U.S.
COMMERCIAL
SERVICE**

United States of America
Department of Commerce

CONTACT US



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Suite 201
Fresno, Calif.



559 348 1398



Glen.Roberts@trade.gov
www.export.gov/fresno



Twitter: [Twitter.com/USCommercialSvc](https://twitter.com/USCommercialSvc)



Mexico: Open for Business

Permission Pending for Public Use

Contact us today
to connect with a world of opportunity.

export.gov/mexico

Juan Herrera

Senior Commercial Specialist

juan.herrera@trade.gov

Connecting You to Global Markets

10 Minute Break

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GSM-102 EXPORT CREDIT GUARANTEE PROGRAM



FACILITATING U.S. AGRICULTURAL EXPORTS



FOREIGN AGRICULTURAL SERVICE

United States Department of Agriculture

GSM-102 Program



Purpose:

Facilitate the financing of exports of U.S. agricultural products and commodities

Program Basics: GSM-102

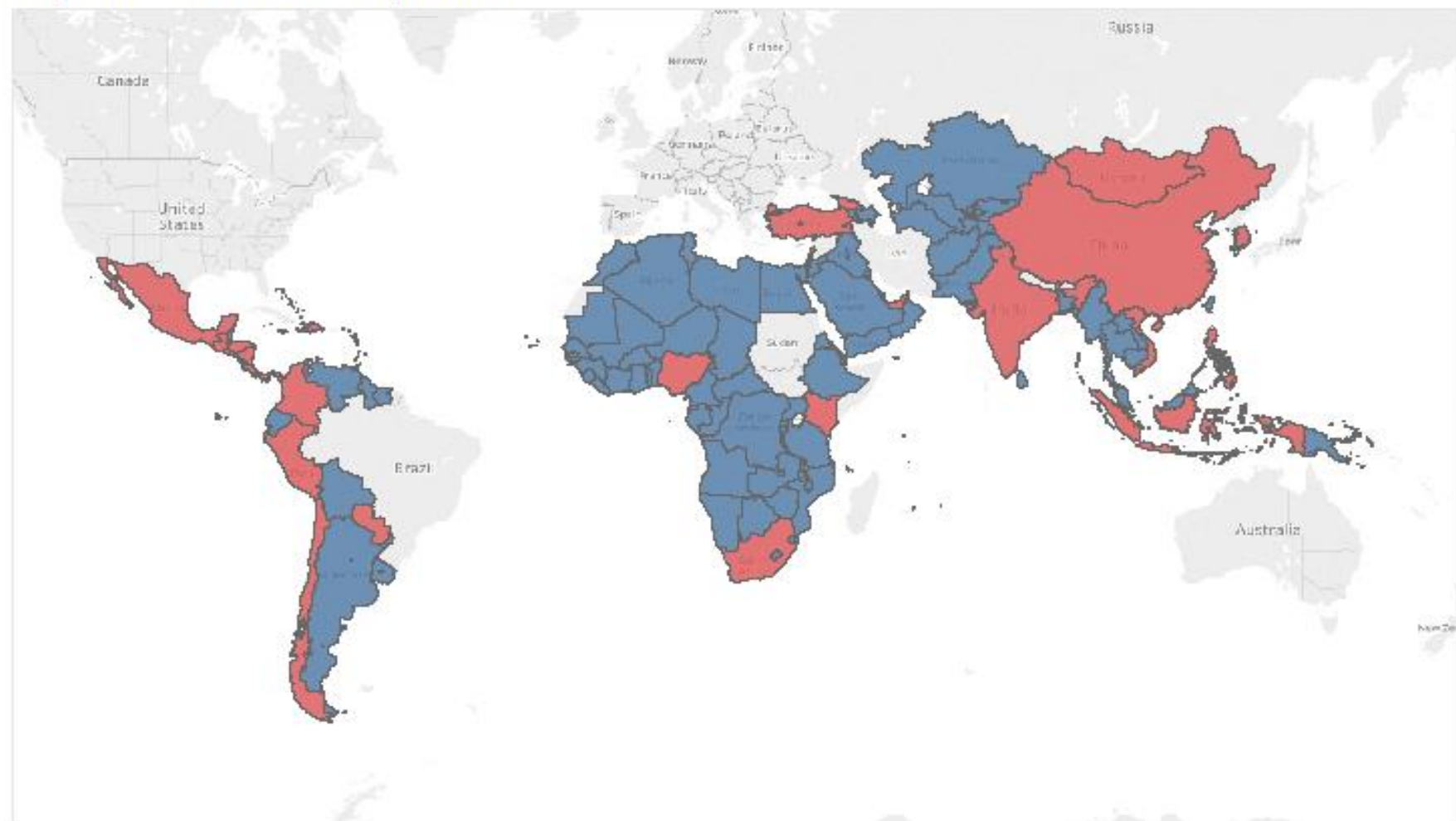
- USDA provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products.
- Foreign financial institution (pre-approved by USDA) issues an irrevocable letter of credit in favor of the U.S. exporter to cover the sale of U.S. agricultural commodities.
- USDA's payment guarantee covers the U.S. exporter (or more typically, the exporter's U.S. financial institution that has taken assignment of the guarantee and extended the loan) if the foreign financial institution defaults.
- Payment guarantee covers up to 98 percent of principal and a portion of the interest.
- Repayment terms of up to 18 months (maximum terms vary by country).

More Program Basics

- Eligible destination countries are primarily developing countries.
 - Approximately 132 eligible destination countries
- Many programs are regional: in many cases the foreign financial institution issuing the letter of credit need not be located in the same country as the importer.
 - Approximately 150 approved foreign financial institutions
- Guarantee fees are based on risk of the obligor country (country of the foreign financial institution), the risk of the foreign financial institution, tenor, and repayment terms.
- Approximately \$5 billion in available guarantees announced each fiscal year.



Eligible GSM-102 Countries, FY 2017



Obligor Country?

- No
- Yes

Dispelling the Rumors

GSM-102 is...



...not just for bulk commodities:

- Intermediate and processed products are also covered, including fruits and vegetables, wood and paper products, grocery items, etc.



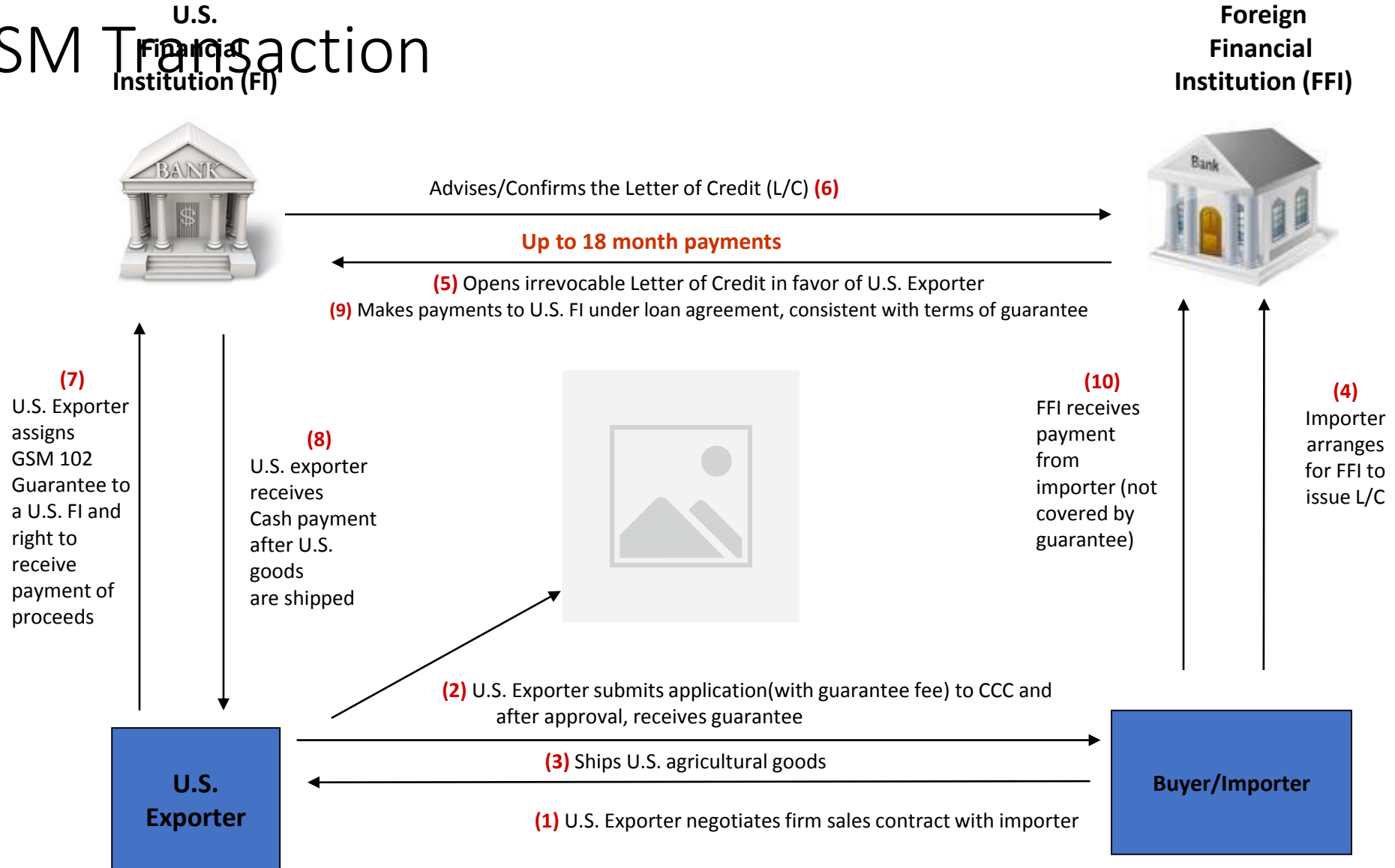
...not just for large companies:

- Small and medium-sized enterprise (SMEs) utilize the program, too.

...not just for large dollar-value transactions:
no minimum transaction size.



A GSM Transaction



Program Participants:

U.S. Exporter

- U.S. exporters must be approved for participation.
- U.S. exporter is the applicant for the payment guarantee and pays the guarantee fee.
- Benefits to exporters:
 - Expand export sales by entering new markets or increasing sales in existing markets
 - Ability to get paid at export by assigning guarantee to approved U.S. financial institution
 - Ability to target riskier customers and countries because USDA takes majority of repayment risk

Program Participants:

The U.S. Financial Institution

- U.S. financial institutions must be approved for participation.



- Benefits to U.S. financial institutions:
 - USDA takes majority of repayment risk
 - Expand credit lines to correspondent foreign financial institutions
 - Add new correspondent foreign financial institutions
 - Ability to lend at up to 18 month tenor to correspondent foreign financial institutions at potentially reduced interest rates
 - Ability to provide increased trade finance services to customers who are agricultural commodity exporters

Program Participants: The Importer and Foreign Financial Institution

- Foreign financial institutions must be approved for participation.
- Benefits to foreign financial institutions:
 - Access to U.S. dollar financing with correspondent U.S. financial institutions
 - Ability to borrow in U.S. dollars for up to 18 months and at potentially lower interest rates
 - Ability to provide financing to their importing customers
- Benefits to importers:
 - May receive financing from foreign financial institution
 - Ability to purchase more high-quality U.S. agricultural products

Fiscal Year FY 2017 GSM-102 Program

Program Utilization (in millions) – as of May 31, 2017

<u>Country/Region</u>	<u>Value of Exports</u>
Africa/Middle East Region	\$136.5
Asia Region	\$19.4
Caucasus/Central Asia Region	0
Caribbean Region	\$85.3
Central America Region	\$150.1
Mexico	\$290.2
South America Region	\$285.1
South Korea	\$76.5
Southeast Asia Region	\$0.5
Turkey	\$33.8
TOTAL (as of 5/31)	\$1,077.4

CONTACTS

Foreign Agricultural Service
Office of Trade Programs
Credit Programs Division

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202-720-2074

FACILITY GUARANTEE PROGRAM (FGP)



ENCOURAGING TRADE FINANCE



FOREIGN AGRICULTURAL SERVICE

United States Department of Agriculture

FGP Mission

Designed to increase the sale of U.S. agricultural commodities and products in Emerging Markets where the demand for such commodities and products may be limited due to inadequate storage, processing, handling, or distribution capabilities

Program Basics

- Program facilitates exports of goods and/or services that will establish or improve agriculture-related infrastructure or facilities in emerging markets
- *Only transactions that will primarily benefit U.S. agricultural commodity exports are eligible*
- Like GSM–102, USDA guarantees payments due from approved Foreign Financial Institutions to U.S. Sellers or Financial Institutions,
- Letter of Credit is required

Background and Status

- Authorized by the Food, Agriculture, Conservation, and Trade Act of 1990; amended by the Food, Conservation and Energy Act of 2008
- Proposed Rule - Published June 15, 2015
- Final Rule with Request for Comments – Publication Date – September, 2016
- Program announcement, including allocations, soon thereafter

Key Program Changes

- Streamlined application process
 - Previous regulation – required Seller to complete an in-depth analysis and projection of future U.S. agricultural commodity exports
 - New regulation - USDA to conduct the in-depth analysis and complete forecasts
- New, optional Letter of Interest – allows applicant (seller) to obtain feedback on potential eligibility before submitting full application.

Key Program Changes

A coverage waiver allows USDA to waive requirements related to the export of U.S. goods or foreign content in U.S. goods *if* the Secretary determines that:

(A) goods from the United States are not available; or

(B) the use of goods from the United States is not practicable.

Environmental Requirements

- Consistent with OECD guidelines, USDA must determine if transaction will have any adverse environmental or social impacts
- Preliminary Environmental and Social Screening Document required with initial application
- Environmental and Social Impact Statement (ESIA) required if potential adverse impacts are determined

Where is FGP Available?

- USDA's selection of destination countries will be based on:
 - Program statutory requirements [Emerging Markets]
 - Risk considerations
 - Any other factors determined appropriate by USDA
- Eligible destination countries are listed on the FAS website: <http://www.fas.usda.gov/programs/facility-guarantee-program>

Allocations and Limits

- Allocations will be made available at least yearly and as needed
- Credit terms of up to 10 years; maximum terms may vary by country and nature of transaction
- Initial 15% payment must be made by buyer (importer) to seller (in accordance with OECD guidelines)
- Coverage up to 100 percent of the net contract value less the initial payment

Parties in the Transaction

- Seller of the goods/services (applicant for the payment guarantee)
- Buyer of the goods/services
- U.S. financial institution (may take assignment of the payment guarantee)
- Foreign financial institution (issues letter of credit on behalf of the buyer)

Application Process

- U.S. seller and U.S. and foreign financial institutions must be approved upfront
- Seller may submit letter of interest to USDA for feedback (optional)
- Seller establishes firm sales contract with buyer
- Seller submits initial application for payment guarantee, along with environmental screening document

Approval Process

- USDA reviews initial application to determine whether the FGP sale is acceptable. Review includes:
 - Analysis and determination of benefit to U.S. agricultural exports (including input from industry)
 - Ruling on any requests from the seller to cover non-U.S. goods or non-U.S. content
 - Determination of need for further environmental/social review

Approval Process (Continued)

- If required, seller submits Environmental Screening Assessment (ESIA)
- Seller submits final application for payment guarantee, including the ESIA, if required
- If approved, USDA issues payment guarantee
- Seller provides performance reports to USDA as contract milestones are met

Hypothetical Projects

- U.S. company builds a new refrigerated warehouse that will result in increased exports of U.S. beef into Egypt
- U.S. lumber exporter builds a warehouse at a port in Vietnam – allowing for shipment of full container loads of lumber from the U.S. and quicker turnaround for customers in-country
- U.S. company sells and installs soybean crushing equipment in an existing facility in Indonesia – increasing the facility's capacity and thus increasing Indonesia's imports of U.S. soybeans

CONTACT

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Credit Programs Division

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Inside the Mind of the Small Business Exporter

Overcoming challenges, finding partners

May is

World Trade Month

Explore exporting with the SBA

SBA.gov/Exporting



Jeff Deiss

SBA Office of International Trade
San Francisco, CA

2/3
of the world's
purchasing power
is in foreign
countries.



The importance of the small business exporter...

Small firms account for **98%** of US export firms

Small firms account for **34%** of US export value

But what do they actually think about exporting and what tools do they need to succeed?

National Small Business Association & Small Business Exporters Association:
They conducted surveys of small businesses in 2010, 2013, and 2016.
Most recently, 530 small business owners surveyed in Feb-Mar 2016.

<http://www.nsba.biz/?p=11263>



U.S. Small Business
Administration

Small Business Exporting Survey

Who are the 530 small businesses that were surveyed?

- 45% with ≤ 5 employees
- 88% with < 50 employees
- 50% with sales $< \$1\text{MM}$
- 76% with sales $< \$5\text{MM}$
- Located across the US
- 27% manufacturers
- All other sectors $< 16\%$
- 74% in business for > 10 years



U.S. Small Business
Administration

Small business speaks

Have you ever sold merchandise or services to a customer outside the US?

58% yes

42% no

Would you be interested if some of your concerns were addressed?

49% yes

51% not interested



U.S. Small Business
Administration

What's holding the non-exporters back?

What do you consider the main barrier to selling for foreign customers?

- 39%... don't have exportable product
- 37%... don't know where to start
- 24%... worry about getting paid
- 24%... regulatory barriers & complexity
- 22%... unfamiliar with trade agreements
- 17%... can't get financing to offer foreign customers
- 15%... takes too much time
- 14%... intellectual property protection
- 13%... too expensive



U.S. Small Business
Administration



Learn how to take your
small business global
with SBA's online course,
**An Introduction
to Exporting**



#WorldTradeMonth

www.sba.gov/course/take-your-business-global-introduction-exporting



U.S. Small Business
Administration

Who are the small business exporters?

Characteristics of the 58% of small firms that have exported

What are you exporting?

59% goods | 26% goods & services | 15% services

Experience?

23%... have been exporting < 5 years

20%... have been exporting 6-10 years

32%... have been exporting 11-20 years

24%... have been exporting > 20 years

84% have neither employees nor operations outside the US

Primary reason for exporting?

65%... to increase sales and profits

27%... to follow their clients



U.S. Small Business
Administration

Who are the small business exporters?

Where are they exporting?

44% to < 5 countries

62% to ≤ 10 countries



Top 7 markets

Small businesses surveyed

#1 Canada

#2 Mexico

#3 UK

#4 China

#5 Australia

#6 Germany

#7 Japan

US exporters overall

#1 Canada

#2 Mexico

#3 China

#4 Japan

#5 UK

#6 South Korea

#7 Germany



U.S. Small Business
Administration

Who are the small business exporters?

How much exporting are they doing?

	<u>2010</u>		<u>2016</u>
Exporting constitutes < 10% of sales	52%	→	47%
Exporting constitutes > 50% of sales	10%	→	19%

Export market trend reported in the last 5 years?

- 39%... exports are increasing
- 42%... exports unchanged
- 19%... exports decreasing



U.S. Small Business
Administration

Small businesses
engaged in **exporting**
stay in business longer
and **grow sales faster.**

#WorldTradeMonth



How exporters became exporters – fast & furious

How much time did you have to spend up-front before engaging in exporting?

48%... a few WEEKS

36%... a few MONTHS

How much annual operating revenue did you devote to getting ready to export?

68%... < %5 of annual operating revenue

How difficult was entering the exporting arena for your business?

40%... Easy (1-3 on a scale of 10)

21%... Moderate (5 out of 10 – the most common answer)

15%... Hard (8-10 on a scale of 10)

How exporting activities are managed

51%... Business owner does it themselves

45%... Do the work manually (w/o software or outsourcing)



U.S. Small Business
Administration

Finding buyers, accessing markets

What is your primary export distribution channel?

46%... DIRECT

25% using Internet *

19% using sales team

2% using catalog

25%... DISTRIBUTORS

Where do you get your export sales leads?

59%... web inquiries *

56%... referrals

44%... trade shows

28%... agents/trade representatives

17%... state & federal resources

15%... cold calls

*** 73% of web sites are not translated**

62% of web sites cannot process foreign orders



U.S. Small Business
Administration

STEP grant

State Trade Expansion Promotion (CA-STEP) grants

- Funds from **SBA** – California was awarded a \$500,000 grant for FY2018.
- The program is run by California Centers for International Trade Development (CITD), offering:
 1. Reduced-cost opportunities to participate in selected foreign trade shows and missions.
 2. Competitive opportunities for up-to-\$3,000 grant to reimburse small businesses for other export market development work.
- Apply at <https://citd.org/castep/>

What's holding the exporters back?

What do you consider the largest challenges to exporting?

Among exporters

44%... worry about getting paid *

21%... limited exportable products

17%... understanding regulations/policies

16%... it's costly

16%... it's confusing

14%... it's time consuming

11%... getting financing to offer foreign buyers

vs. among non-exporters

24%

39%

24%

15%

37%

15%

17%



* 75% say receiving payment is a Very or Somewhat significant concern



U.S. Small Business
Administration

How are they selling?

What payment methods do you accept from foreign buyers?

66%... Prepayment

27%... Letter of Credit

44%... Open account – 30 days *

18%... Open account – extended terms *

* Use of export credit insurance (payment enhancement options)?

76%... No payment enhancement

18%... Export-Import Bank export credit insurance **

6%... Private credit insurance



** ExIm Bank offers low-cost export credit insurance that provide 95% coverage against the risk of nonpayment by a foreign buyer!

<https://www.exim.gov/what-we-do/export-credit-insurance>



U.S. Small Business
Administration

Financing challenges? SBA to the rescue?

My bank will advance funds to me upon shipment... 3%

How important is export financing to your company?

26%... Extremely-Very important

26%... Somewhat important

48%... Not at all (remember, most don't offer open account terms)

How hard is it to secure export financing?

35%... More difficult than domestic financing

Source of financing for exports:

30%... Large bank

20%... Small bank

14%... Exlm products

5%... SBA products



U.S. Small Business
Administration

SBA has **financing options** to help you take your small business **global**.

#WorldTradeMonth



- International Trade Loan
- Export Express
- Export Working Capital Program

www.sba.gov/exporting



U.S. Small Business
Administration

Wish List **What's holding you back?**

What types of federal export support do both exporters and non-exporters think would be most useful?



- 47%... export tax incentives**
- 43%... export training and technical assistance**
- 39%... a competitive US dollar**
- 38%... a One-Stop Shop (consolidate export assistance from different agencies)**
- 31%... small business advocate within US Trade Representative**
- 30%... assistance with in-country documentation**
- 29%... intellectual property protection help**
- 29%... enforcement of trade agreements**



U.S. Small Business
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Our chance to help

Which government programs have exporters and non-exporters taken advantage of?



	<u>2013</u>	<u>2016</u>
US Dept of Commerce	21% →	29%
SBDC's	10% →	19%
State government	9% →	16%
US Foreign Commercial Service	8% →	13%
Trade missions	9% →	11%
Gold Key	9% →	9%
SBA District Office	7% →	8%
USEAC	7% →	7%
ExIm financing	5% →	6%
SBA export financing	4% →	5%



U.S. Small Business
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Is your small business ready to go global?

Connect with a US
Export Assistance Center.

#WorldTradeMonth

US Commercial Service and the federal government's export encyclopedia:

www.export.gov/california



U.S. Small Business
Administration

Some final thoughts

What types of federal export support do both exporters and non-exporters think would be most useful?



Exporters and non-exporters actually cite very similar challenges.

Most of all, small businesses need information, but they aren't familiar with the many resources available.

- they want it fast and they need it to be simple

Getting paid and to a lesser degree accessing export financing are genuine needs

- small firms tend to sell in a very conservative manner (prepayment)
- some sell more aggressively (open account) often without insurance protection
- banks shy away from lending on foreign receivables; so there's a role for SBA

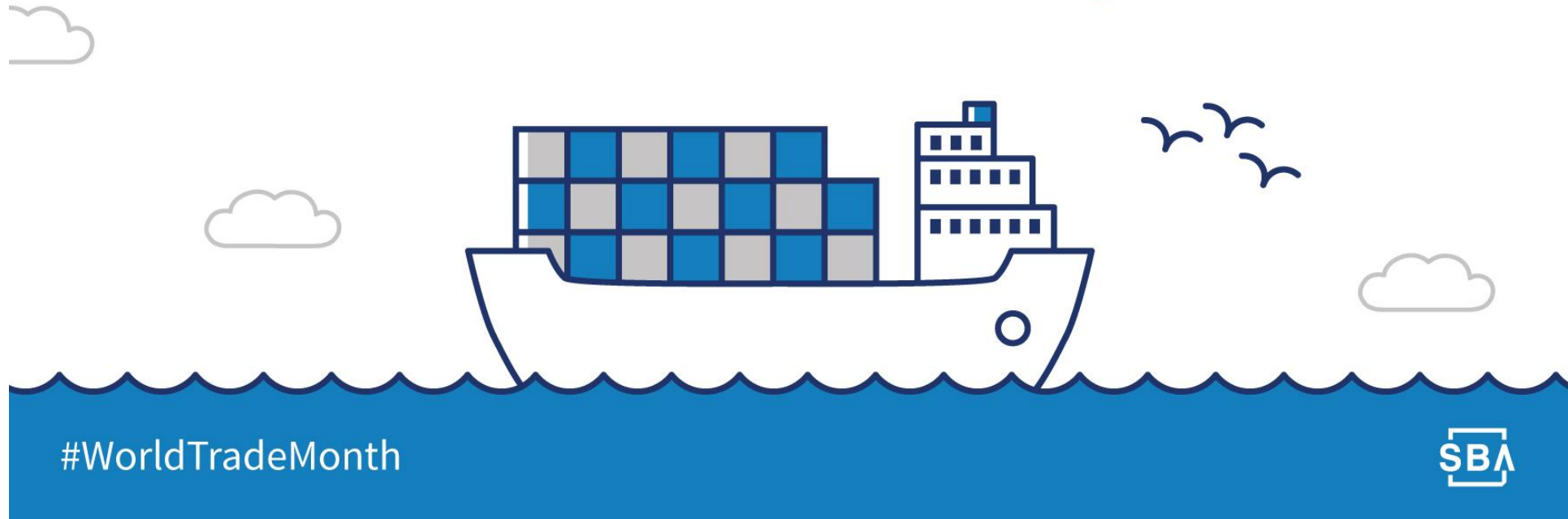
Exporting is generally not the primary activity of a small business exporter.

- but once started, it tends to continue and grow slowly



U.S. Small Business
Administration

Did you know **1 out of every 5**
American jobs is tied to **exports?**



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www.sba.gov/exporting



U.S. Small Business
Administration

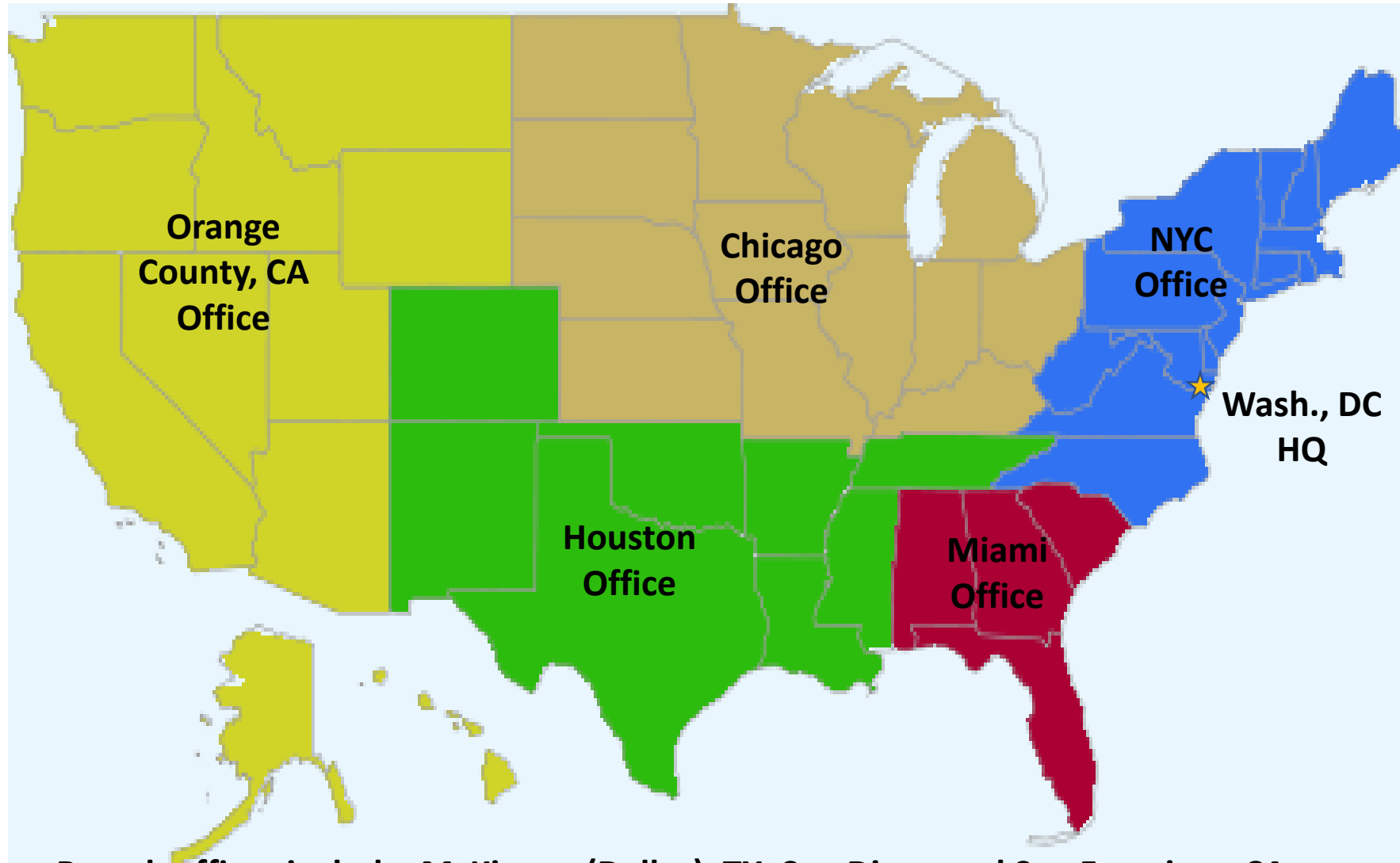
Hanover Messe Presentation 4-6-2016

Ex-Im Bank
Products for Small Business
Exporters

Who We Are — What We Do

- **Mission:** Ex-Im Bank enables U.S. companies –large and small- to turn export opportunities into real sales that help to maintain and create U.S jobs and contribute to a stronger national economy.
- Ex-Im Bank is an independent agency of the United States Government.
- Established in 1934
 - Headquartered in Washington, DC
 - 5 regional business development offices, plus 3 satellite locations (opening 4 more)

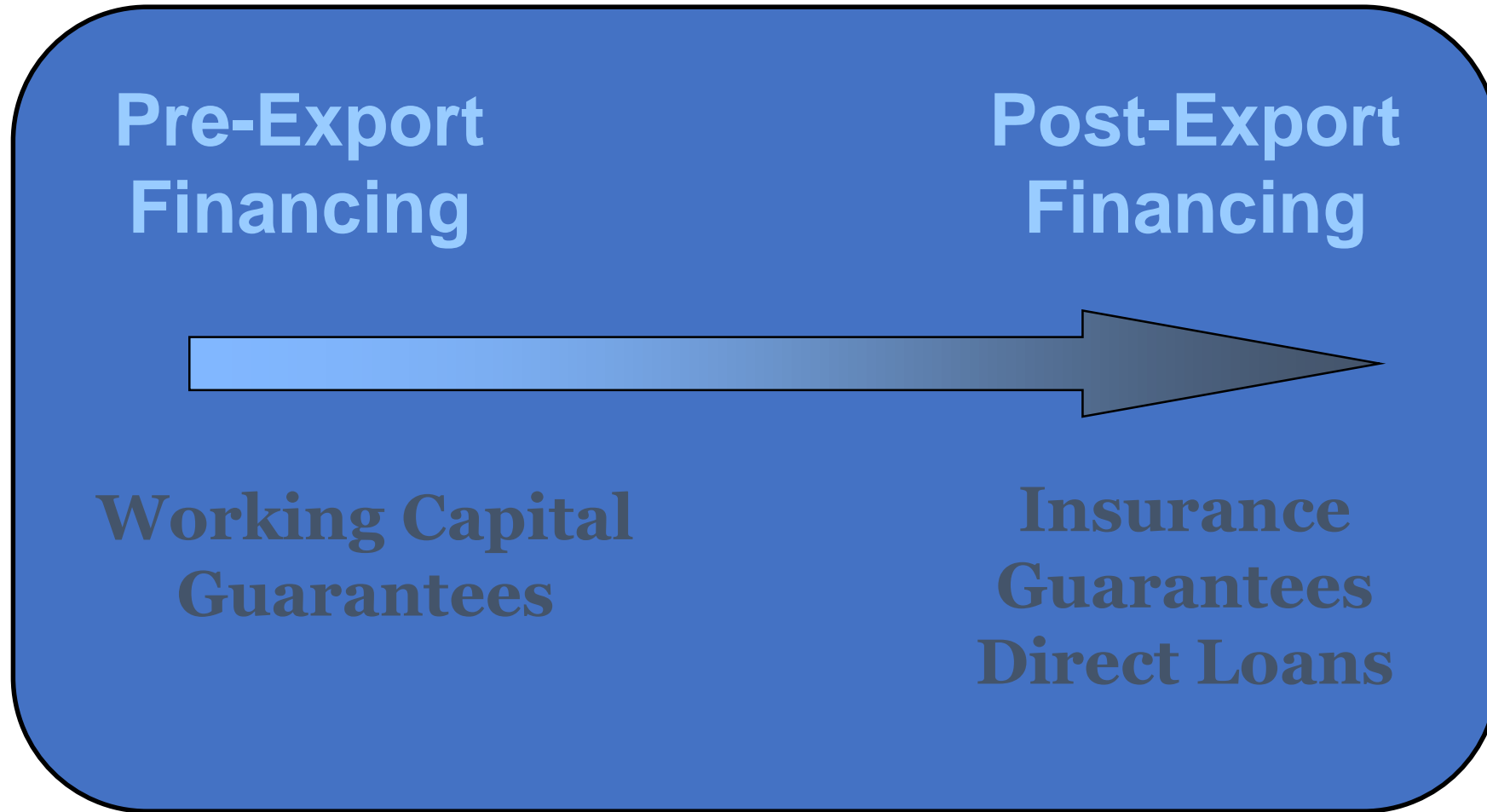
Export-Import Bank: Regional Export Finance Centers



- Branch offices include: McKinney (Dallas), TX, San Diego and San Francisco, CA
- For detailed staff listings and regional office locations, please visit:

<http://www.exim.gov/contact/contactus.cfm>

Ex-Im Bank Support Covers the Spectrum



Products Most Frequently Used by Small Businesses

- **Export Credit Insurance (Short-term)**
- **Working Capital Guarantee Program**
- **Medium-Term Buyer Financing**
(for purchase of U.S. Capital Goods)



Eligibility Criteria

- U.S. Content

- Short-term transactions: 51% minimum.
- Medium/Long-term transactions: *only* U.S. content, up to 85%.

- No Defense Articles

- Exceptions may be made for humanitarian purposes, drug interdiction, & dual-use items.

- Country Eligibility

- Support available in over 155 countries.
- Restrictions may apply for political or economic reasons.
- Refer to the Country Limitation Schedule (CLS) at www.exim.gov, on the homepage under '*Shortcuts.*'

Post-Export Financing:
Short-Term
Export Credit Insurance

Trade Terms as a Spectrum of Risk

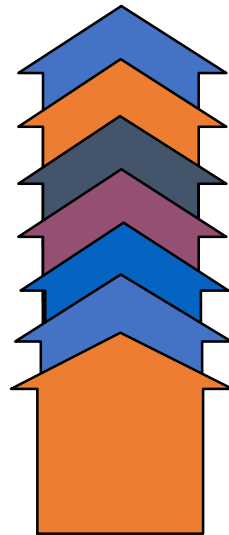
• Seller Risk

Trade Terms

Buyer Risk

• High

Low

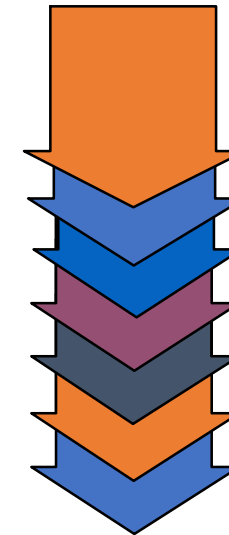


• Low

Open Account
Cash Against Document
Usance / Deferred Letters of Credit
Sight Letters of Credit
Payment in Advance

•

High



Short-Term Export Credit Insurance

- **Protects US exporters against non-payment by foreign buyers due to**

- Commercial Risks (90% to 98% coverage)
- Political Risks (90% to 100%)

Allows exporters to offer competitive credit terms to foreign buyers

- Generally up to 180 days, some products may qualify for 360 day terms

Obtain additional financing

- Insured foreign receivables may be added to your borrowing base by assignment of policy proceeds (claim payments) to lender

Options:

Single-Buyer

Multi-Buyer (3 types)

Small Business Multi-Buyer Policy

- Coverage: 95% commercial and 95% political
- Exporter must qualify as “small business” by SBA definition, **and**
- In same line of business for at least 3 years (No material adverse issues)
- Must insure ALL export credit sales (L/C, CIA, CAD, SDDP, and Canadian sales may excluded)
- Refundable advance premium: ~~\$500~~
- NO deductible, NO application fee, “pay-as-you-ship,” NO minimum premium requirement
- Buyer credit limits endorsed to policy (requires minimal pre-approvals by Ex-Im Bank)

Small Business Multi-Buyer Premium Rates

(on March 11, 2010)

- | Term | Sovereign | Financial Institutions | Private |
|-------------|------------------|-------------------------------|----------------|
| Sight L/Cs | \$0.03 | \$0.03 | N/A |
| 1-60 days | \$0.16 | \$0.20 | \$0.55 |
| 61-120 | \$0.27 | \$0.33 | \$0.90 |
| 121-180 | \$0.35 | \$0.43 | \$1.15 |
| 181-270 | \$0.43 | \$0.54 | \$1.45 |
| 271-360 | \$0.53 | \$0.65 | \$1.77 |

(Per \$100 of the gross invoice amount)

Example: \$55 to insure \$10,000 invoice, net 60 days

**25% rate reduction if used with Ex-Im Bank / SBA
Working Capital Guarantee product!**

California Exporter that uses Ex-Im Insurance

- Manufacturer of electric motorcycles.
- Had required cash-in-advance wire transfers before shipping to any international account.
- Took out an Ex-Im Bank multi-buyer policy in late 2010.
- 30% of their business has been international.
- Since taking out the multi-buyer policy, the firm is on track to double their international sales this year to 60% of their sales portfolio.
- The firm sells to Europe, South Africa, Mexico, and Brazil.

Express Insurance Named Buyer Policy

- For Small Businesses, as defined by SBA that:
 - have at least one year operating history and a positive net worth.
 - have an existing file with Dun & Bradstreet
 - have ~~Ten~~ Twenty or less existing buyers.
- Exporter names the buyers they want to cover.
- Includes complimentary credit reports on all buyers the exporter elects to insure.
- Premium: **\$65 to insure \$10,000 invoice.**
- Streamlined application process for buyer credit limits up to \$300,000. Quick Turnaround.

Working Capital Guarantee

- This is a guarantee to a commercial lender that makes a loan to an exporter to purchase or manufacture U.S. goods and services for export.

Working Capital Guarantee

- Provides a **90%** guarantee of repayment (principal and interest) on loans to exporters
- May be set up as “Transaction-Specific” or a “Revolving” Line of Credit
- No minimum or maximum amounts
- Assists small and mid-size companies in obtaining working capital to produce or purchase US goods and services for export
- Loan supports advances made against export-related inventory (including WIP) and foreign receivables:
 - Up to **75%** advance rate on inventory, and up to **90%** on foreign receivables
 - Term is generally one year (renewable), may be up to three years.

Expand Your Borrowing Base!

		Your Working Capital Facility without Ex-Im Bank		Your Working Capital with Ex-Im Bank	
<u>Collateral (Inventory)</u>	<u>Amount</u>	<u>Advance Rate</u>	<u>Borrowing Base</u>	<u>Advance Rate</u>	<u>Borrowing Base</u>
<i><u>Export Inventory</u></i>					
Raw Materials	\$200,000	20%	\$ 40,000	75%	\$ 150,000
WIP	200,000	0%	0	75%	150,000
Finished Goods	600,000	50%	300,000	75%	450,000
<i><u>Export/Foreign Accounts Receivable</u></i>					
Open Account/Foreign Account Receivable	\$400,000	0%	0	90%	\$ 360,000
L/C Backed A/R	600,000	70%	<u>420,000</u>	90%	<u>540,000</u>
Total Borrowing Base			<u>\$760,000</u>	vs.	<u>\$ 1,650,000</u>

Case Study: A Southern California Manufacturer of Hair Care Products, and Cosmetics

Skin Care,

- Began using Ex-Im Bank Multi-Buyer Insurance 5-6 years ago to sell overseas.
- Since that time, has added 40 countries; and **went from 3 to 30 employees.**
- Took out Ex-Im's Working Capital Guarantee line with a local Southern California lender. Now uses both Ex-Im Bank products.
- The firm began by using contract manufacturers – **Now they manufacture in-house.**
- Has seen **growth of 30-40%** every year.

Post-Export Financing Solutions:
... When a Foreign Buyer
Needs Medium-Term or
Long-Term Financing

Medium-Term Buyer Financing

➤ Used to finance foreign buyers purchasing U.S. capital equipment:

- 85% financed, 15% cash down payment
- Repayment up to 5 years, exceptionally 7 years
- Amounts of \$10 million or less

(Long-Term for over 5 year repayment or over \$10 Million)

➤ Financing can be accomplished through the following Ex-Im products:

- Lender loan Insurance
- Lender loan Guarantees
- Direct Loans (few)

“How Can We Help YOU?”

- Expand international sales
- Boost borrowing power
- Speed cash flow
- Enter new markets
- Mitigate risks and losses

Whom to Contact

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PROTECTING YOUR INTELLECTUAL PROPERTY OVERSEAS: WHAT WE DO FOR YOU. WHAT YOU NEED TO DO

Martin Johnson

Office of Intellectual Property Rights, Trade Analysis

Industry & Analysis, International Trade Administration

May 14, 2018

Brief outline

- Tell you a little about how you protect intellectual property
- Tell you a little about us
- Give you an example about our work in international relations

An Ounce of Prevention here

...

Get a patent. Register a trademark or copyright.

- U.S. Patent and Trademark Office
 - www.uspto.gov; 1-800-786-9199
 - Filings: Patent \$110-\$850; Trademark \$275-\$375
- U.S. Copyright Office
 - www.copyright.gov
 - Filings \$35 (Electronic)



And Abroad

- Register your patents, trademarks and copyrights in foreign markets before you do business in foreign markets. IP Rights are **territorial**.
- Pursue non-compete, non-disclosure agreements that are legally sound in the foreign market.
 - Some countries have significant formalities for a valid contract.
 - Forum selection clauses may not work to your advantage in every instance.
- Consider not only where you will sell but also where knock-off competitors might sell.

Know Your Potential Partners

Your intellectual property sets you apart. Choose wisely.

- Consider using the Commercial Service's International Company Profile Service
- Develop strong contractual relationships with business partners to protect intellectual property.



Keep it Secret, Keep it Safe

- Be cautious about what you reveal to business partners and employees.
- Ensure no employee or partner knows your “secret sauce” recipe .
- Be on guard at trade shows and international expositions.
- Review your security procedures periodically.

Pound of cure ... more like a pound of pain

- U.S. company terminates long-term relationship with local distributor and gets a new distributor, finds out, when selling through the new distributor, that the old distributor had obtained trademark protection in its name and enjoined the U.S. company from selling its product under trademark.
- U.S. company with a patented product seeks to export to a new country through a local distributor. After gearing up to export, the local distributor tells the U.S. company he will sell the product but produced by another manufacturer.

Mission: Promote foreign market opportunities for US exports

- Directly assist companies seeking to protect intellectual property rights in foreign markets
 - STOPfakes.gov
 - STOPfakes Road Shows
 - Client counseling
- Advance IPR trade policy
 - IP-related provisions in trade agreements (NAFTA, bilaterals)
 - Enforcement of trade agreements and administration of programs to strengthen country compliance (Special 301, Notorious Markets, Section 337 reviews, etc.)
 - Counter erosion of IPR standards and obligations in multilateral fora (WTO, WIPO, UN, OECD, APEC, etc.)

Online Intellectual Property Training

A free online tool for use in evaluating, protecting and enforcing your copyrights, patents, trademarks and trade secrets

TAKE THE COURSE



Business Guide to Intellectual
Property Rights



Consumer Guide to Counterfeits &
Pirated Goods



Get Help Resolving IPR Issues



U.S. & Global IPR Initiatives

IPR EVENTS & TRAINING

Step 1: Identify Your Company's Intellectual Property

IP audit resources:

- Visit **STOPfakes.gov**
- Online IPR Training Module
- USPTO IP Awareness Assessment Tool
- Local Attorney specializing in IPR (Local)

Step 2: Secure Your IP Rights in the United States

File patent and federal trademark applications with the U.S. Patent and Trademark Office

U.S. Patent and Trademark Office

- www.uspto.gov
- 1-800-786-9199
- Patent \$110-\$850 fees
 - » Small entity, micro-entity fees
- Trademark \$275-\$375 fees

Step 3: Secure Your IP Rights in Foreign Markets

Register your TRADEMARKS and PATENTS

- Trademarks: The Madrid Protocol
 - File international application with USPTO
 - 91 countries as of October 2013
 - www.WIPO.int; www.USPTO.gov
- Patents: The Patent Cooperation Treaty
 - File PCT application with U.S. Receiving Office at USPTO
 - 148 countries as of October 2013

Step 3: Secure Your IP Rights in Foreign Markets

Register your copyrights.

- As with trademark and patent, there is no such thing as "international copyright" that will automatically protect your work throughout the world. Protection against unauthorized copying in a particular country depends on the national laws of that country.
- However, most countries offer protection to foreign works under certain conditions that have been greatly simplified by international copyright treaties.



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Step 4: Know Your Business Partners and Protect Your Trade Secrets

Know Your Partners

Conduct due diligence regarding your potential business partners. You should not assume that your business partner is looking out for your company's best interest.

- Commercial Service's International Company Search Service.
- Develop strong contractual relationships with business partners.
- Make sure you are registered as the owner of your intellectual property, not your business partner.

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Step 5: Enforce IPR at Home and Abroad

***Companies must enforce their IPR.
Enforcement is first and foremost
the right holder's responsibility!***

Civil Remedies

- Cease & desist; notice & takedown
- Licensing agreements
- Lawsuits; alternative dispute resolution

Remedies at the Border

- Record with customs: <https://apps.cbp.gov/e-recordations>
- ITC Section 337 Investigations

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What We Can and Cannot Do

We can:

- Answer questions and provide general guidance
- Direct you to local embassy staff (IP attachés)
- Provide tool kits and other informational resources
- Help with a problem with a foreign government (sometimes)

We cannot:

- Provide legal advice
- Intervene in a dispute with a foreign private company

TRIPs—Geographical Indications (GIs)

- TRIPS Article 22: “GIs identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin.”
 - U.S. examples of certification marks specifying geography: Idaho potatoes, Napa Valley wine, Washington State apples
 - The EU has 171 GI commodities, of which Italy, France, and Spain account for 109.

U.S. and EU protect GI differently

- In the United States:
 - GIs are a subset of trademarks because they are source-identifiers, guarantees of quality, and business interests.
 - GIs are protected within the trademark system as certification or collective marks.
- In the EU, GI is in addition to the trademark system.

EU protection is much more expansive

- TPP contains safeguards: “Party’s authorities shall have the authority to take into account how consumers understand the term in the territory of that Party. Factors relevant to such consumer understanding may include:
 - a) whether the term is used to refer to the type of good in question, as indicated by competent sources such as dictionaries, newspapers and relevant websites; and
 - b) how the good referenced by the term is marketed and used in trade in the territory of that Party.”
- EU: “Feta cheese is not named after a place but is so closely connected to Greece as to be identified as an inherently Greek product.” The EU also extends GI protection to the use of national symbols.

Does the U.S. system protect the EU's GI commodities?

- Are GI producers big exporters to the United States?
- Can they get a price premium for their product?

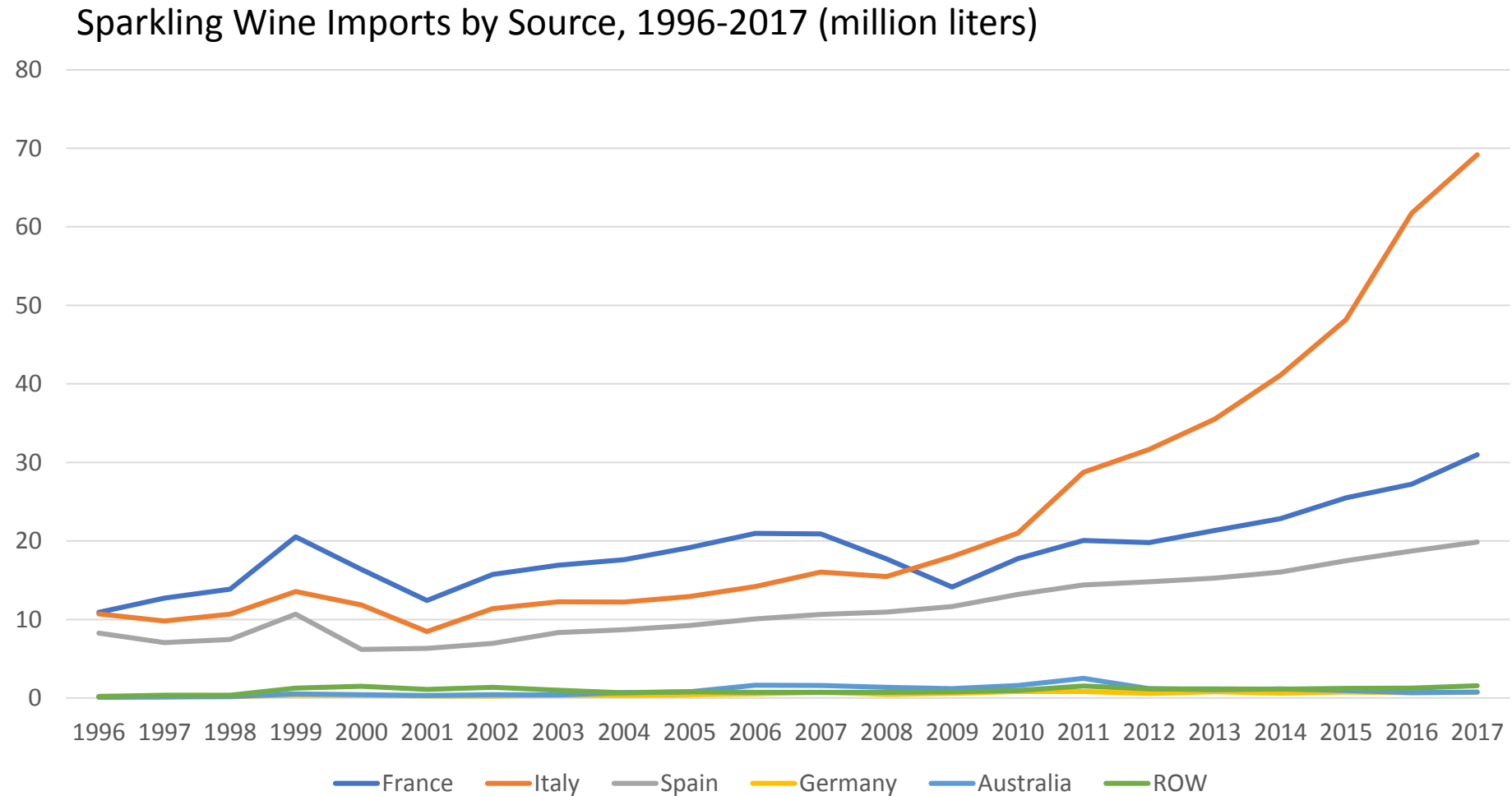
Example: Sparkling Wine

Major Import Sources, 2013-2017		Major Export Markets, 2013-2017	
	Ave. Annual Value		Ave. Annual Value
France* (Champagne)	\$585.2M	Canada	\$8.2M
Italy* (Prosecco)	\$287.4M	Japan	\$2.5M
Spain* (Cava)	\$83.0M	United Kingdom	\$2.1M
Australia	\$4.0M	Mexico	\$1.4M
Germany	\$3.0M	Colombia	\$1.0M

* Denotes producer of GI sparkling wine

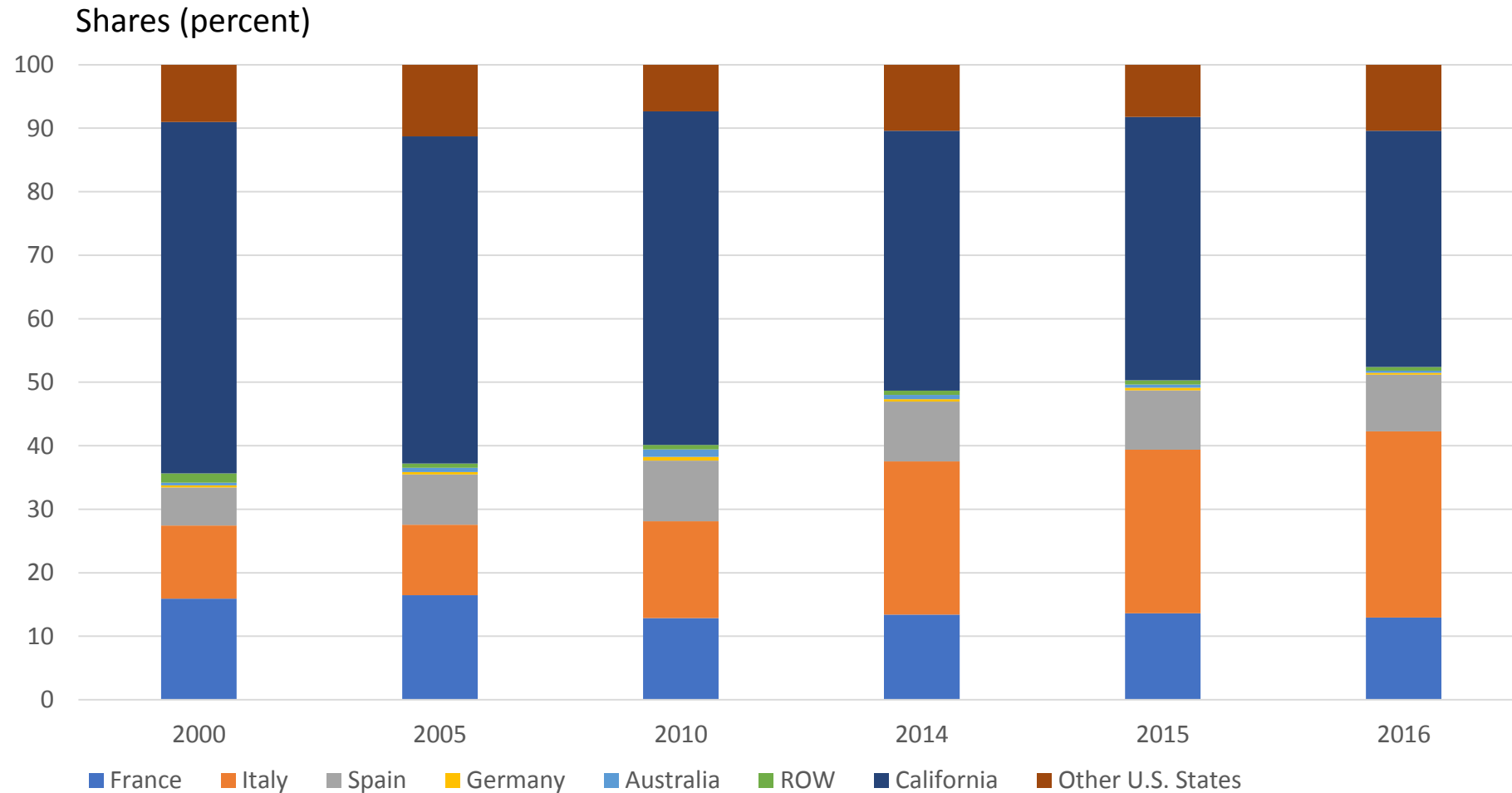
Source: USITC, Dataweb

France, Italy and Spain dominate imports



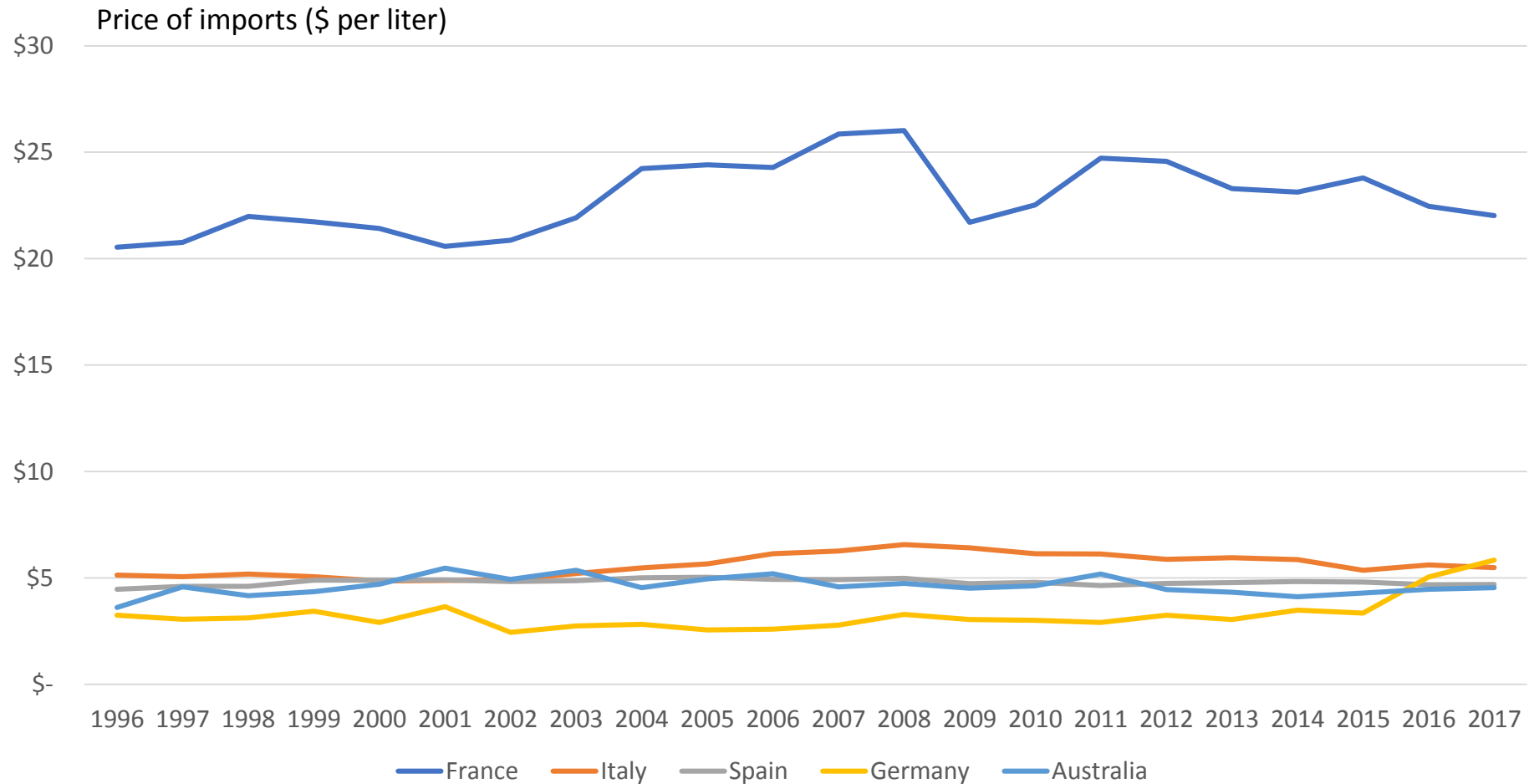
Source: USITC, Dataweb

U.S. sparkling wine consumption, 2000-2016



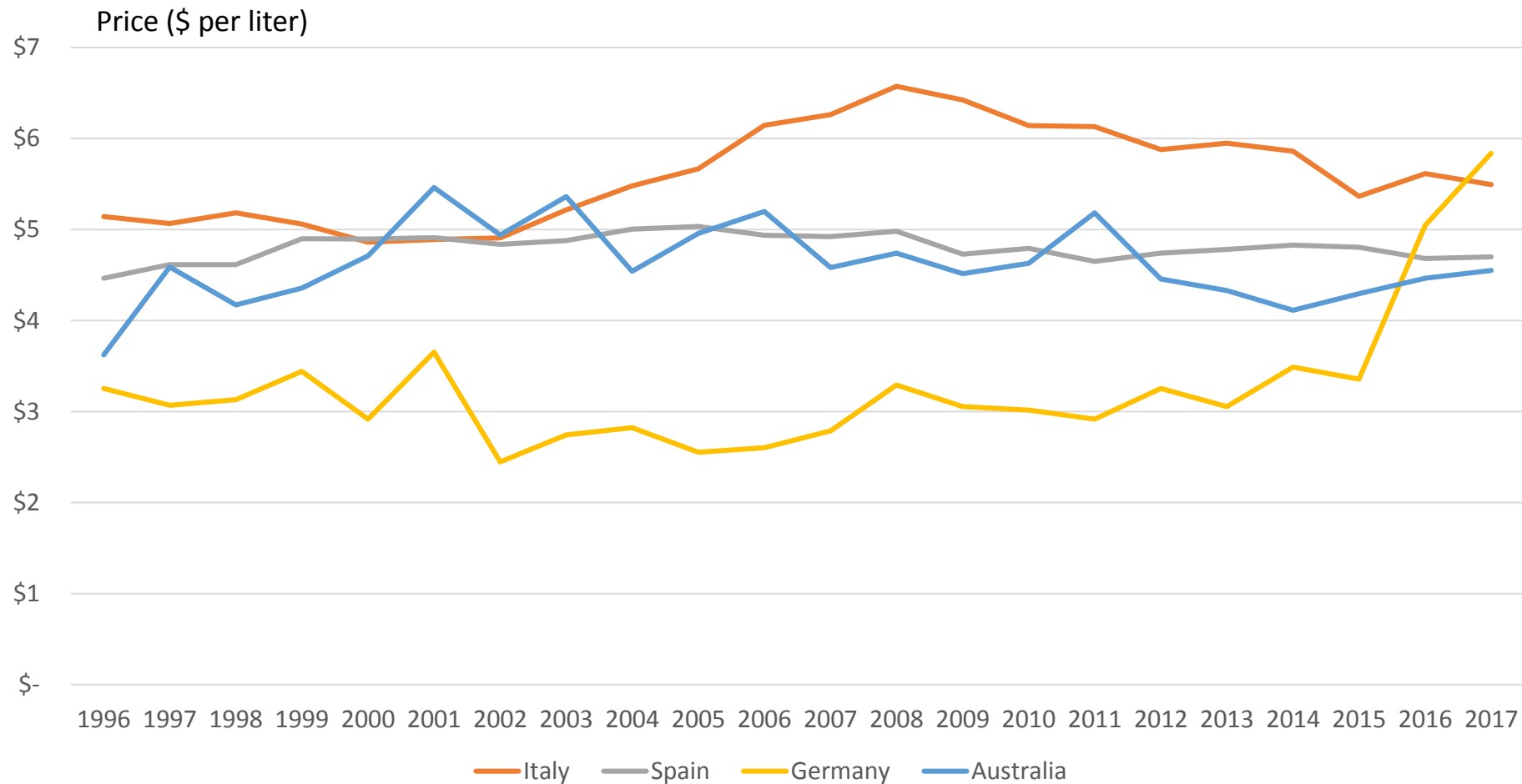
Source: ITA calculations based on data from Wine Institute and USITC, Dataweb

French sparkling wine receives premium prices



Source: ITA calculations based on USITC, Dataweb

Italian and Spanish wines' premium is smaller



Source: ITA calculations based on USITC, Dataweb

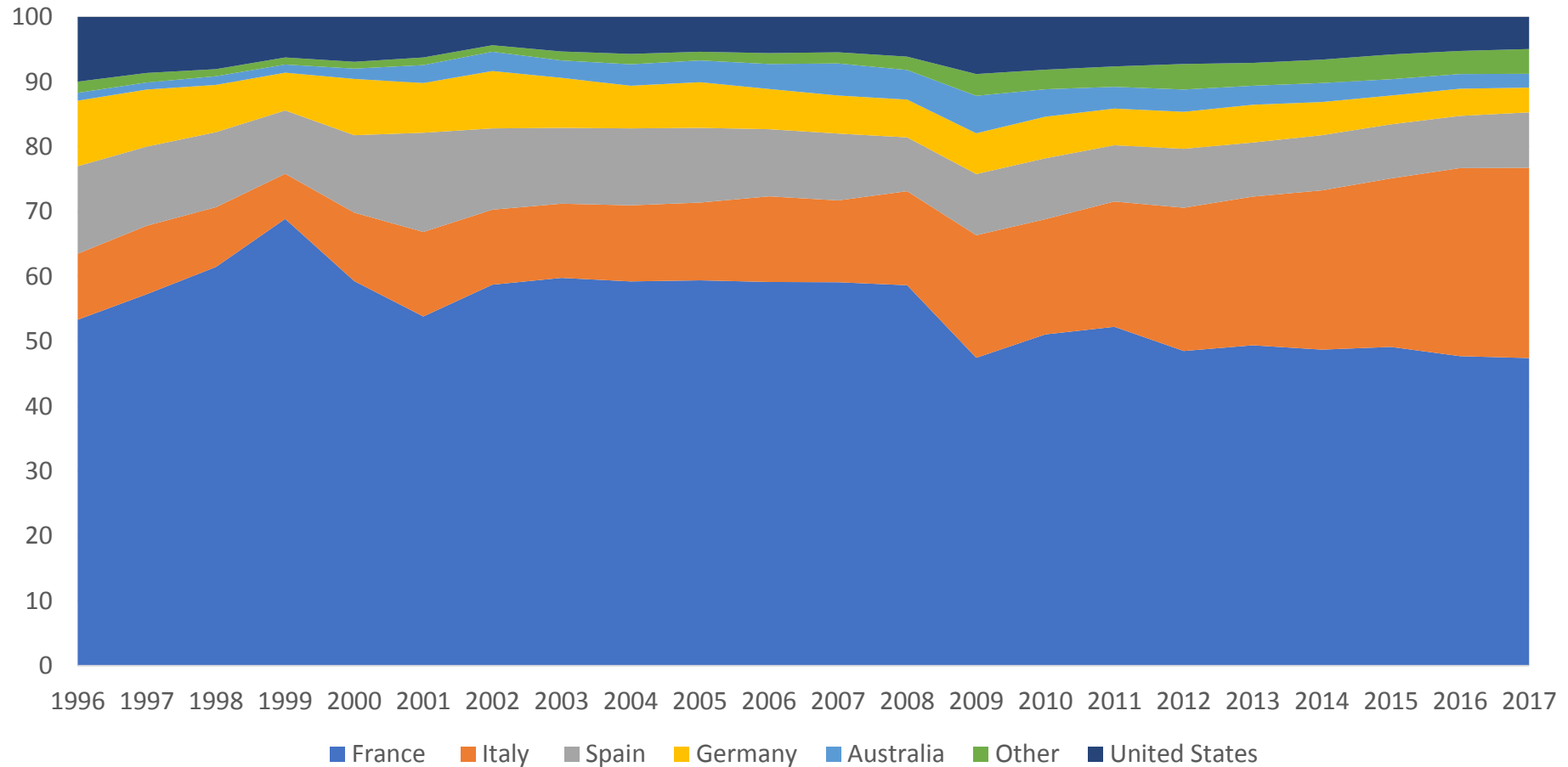
EU GI wines enjoy a mark up to non-GI EU wines

	Average mark up to German 'sekt'	# of years price > than 'sekt' price	# of years price > than Aussie price
France	\$19.60	22	22
Italy	\$2.34	21	19
Spain	\$1.54	20	17
Australia	\$1.36	20	n.a.

Source: ITA calculations based on USITC, Dataweb

France, Italy, and Spain dominate Canada's imports too

Share of Canadian Sparkling Wine Imports by Value (percent)



Source: Stats Canada

Is EU GI-Sparkling wine protected in the United States?

- Yes
 - EU GI-sparkling wines dominate imports.
 - EU GI-sparkling wines receive comparable or better prices than non-GI German and Australian sparkling wines and hold much larger market shares.
 - EU GI-sparkling wines have an increasing share of U.S. sparkling wine consumption.

Sum up

- Protect your IP in the U.S., where you produce, where you sell, where others could sell – before you start exporting.
- Commerce agencies stand to assist in protecting your rights
- Commerce agencies fight for strong IP laws that allow you to capture value without setting unreasonable barriers to trade.
- Questions?

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